LUMBER REPORT

Industry seen 'too sick' to keep up output pace

(Continued from page 17)

Midwest and in Texas.

Lumber producers in North America are currently producing themselves into oblivion. Lumber production is up 15% in the United States over 1983 and up 18% in Canada. Many observers believe production figures for North America are inaccurate and that production is quite a bit higher than reported. Data Resources predicts lumber production will exceed consumption in the June through August period by 16%.

The top seven coastal producers in British Columbia, that account for 78% of the coastal production, had collective losses of $50 million in the first quarter. The second quarter result will be worse. In the United States Pacific Northwest, many mills are being closed down permanently. The latest closures include Seaboard Seattle, Boyd Lumber Company (Chapter 11) and Mayer Brothers (Chapter 11).

Lumber production will not continue at current levels. The industry is too sick to keep up the pace. In the United States, more mills will go bankrupt or just close down. Canada will see some independent manufacturers close down while the larger integrated companies will permanently close old and inefficient mills. In the past few months, two large plywood plants have been permanently closed in Canada. A permanent loss of 15% production is needed to give stability to the lumber market.

Key changes coming

There is a good possibility that trade restrictions will be implemented by the United States to limit the importing of Canadian wood. The Southern Forest Products Assn. and the Southeastern Lumber Manufacturers Assn. are hard at work lobbying for this action. The recent decision on quotas on imported steel for five years may lead the way for United States lumber manufacturers to get their import restrictions.

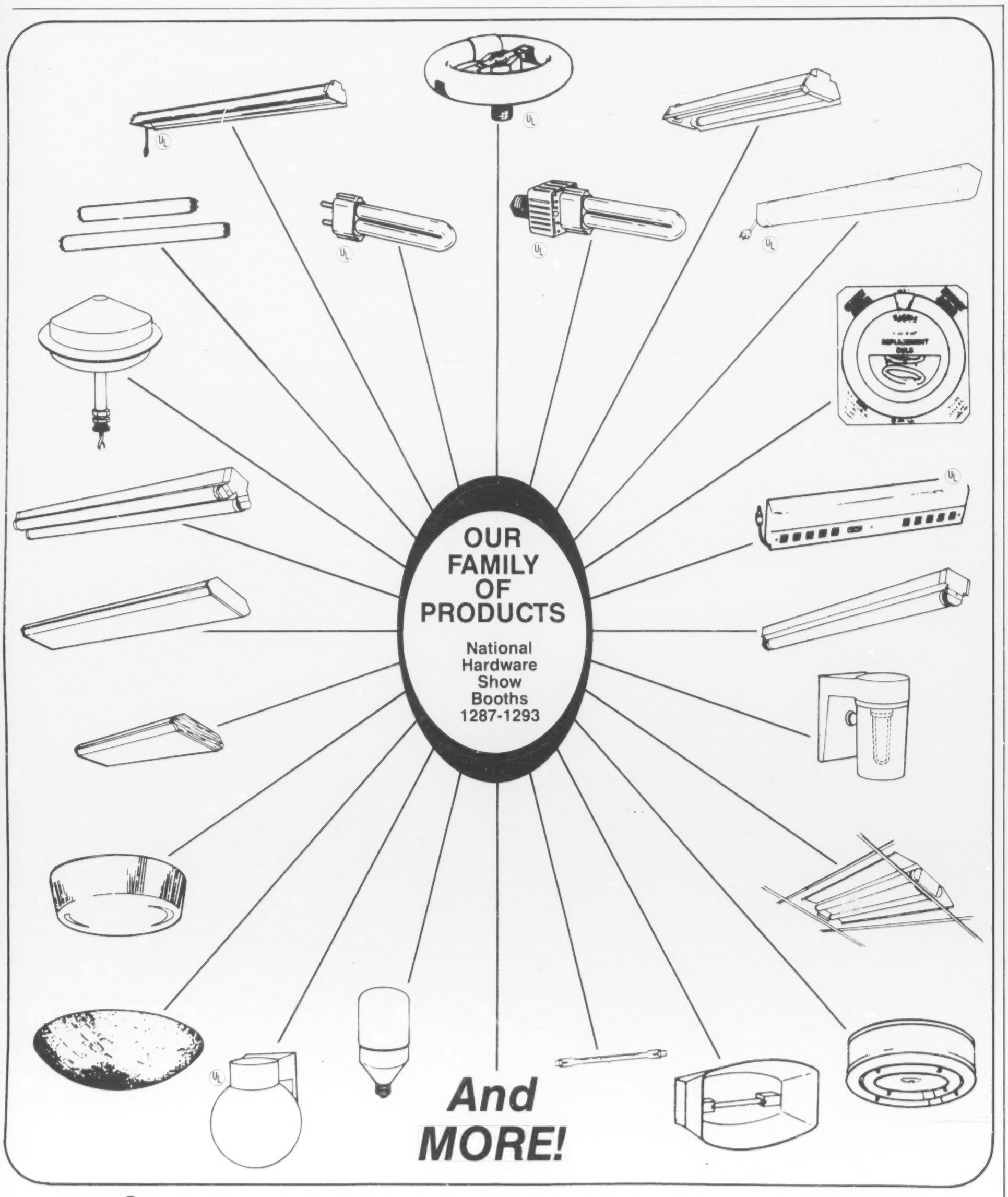
Home centers can expect continued low prices on lumber as overproduction, a depressed export market and poor marketing have led to an unprecedented shake-up in the industry. NHCN photo

The reload situation will change. There will be fewer players controlling the wood. Many undercapitalized wholesalers were caught on the sliding market and thought the answer to the problem was averaging down by buying more wood. They have seen thin margins or losses since March. The $10 poker players will be forced out of the $100 game and the wood will end up in fewer, but stronger, hands. This, in the long term, will lead to better marketing of wood and more stable pricing. A good example of this is that while Western s-p-f dropped 40% in value, cargo hemlock, which is in a few but stronger hands, dropped only 12% in value.

There will be some surprises for the Bear Stearns and other future players who are in the marketplace for opportunistic reasons only. They may well be forced out of the market by mills and wholesalers who won't play their game because of the disruptions they have caused.

A shake-up is under way in the lumber industry that will lead to less production, more stable prices and more effective marketing.

Hawk Furman is president, Furman Lumber, Boston.



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Gov. O.K.'s addition for McCormick

CHICAGO — Illinois Gov. James R. Thompson has signed legislation permitting construction of an additional 532,000 sq. ft. of prime exhibit space at the McCormick Place Exhibition complex. With groundbreaking expected this month, the facility should be available for the 1986 Hardware Industry Week/National Hardware Show. *(For this year's show schedule, see page 157.)*

Current exhibition space includes 663,000 sq. ft. on the mall and lobby levels of McCormick Place, as well as space in McCormick Place West.

As a part of trade show efforts to urge approval of the expansion, William P. Farrell, executive director of the American Hardware Manufacturers Assn. met with Governor Thompson in the spring of 1983. Farrell also was a member of an advisory committee on the development of the expansion plan.

"We felt that the passage of this legislation was critical for the future viability of the Hardware Industry Week/National Hardware Show," Farrell stated. "The show was in danger of becoming a victim of its own success."

The show currently uses all available space and has a waiting list of hundreds of potential exhibitors who can't fit into the present facility.

The new building will be equidistant from McCormick Place and McCormick Place West, and directly north of McCormick Inn, on property currently used for overflow parking for Soldier Field.

MERCHANDISING

Retailers opt for altered European cabinet look

NATIONAL REPORT — While more vendors than ever before are introducing kitchen cabinets with a true European design, home centers are more ambivalent than specialty stores about how the sleek styles of such cabinets will blend with their kitchen departments.

At home centers such as Busy Beaver, Somerville Lumber, Gee Lumber, Mr. Goodbuys, and Birmingham Lumber, a "semi-European" look in some of the kitchen cabinet offerings reflects a compromise between the recognition of a modern trend toward sleek interiors, and the reality that installing cabinets with a true European design can often be difficult for do-it-yourselfers.

Cabinets with a "semi-European" look possess laminated doors and hidden hinges. However, unlike cabinets with true European design, they have recessed borders around their doors, and wider soffits above the doors, so that installation by DIYers is far easier.

Without such modifications, installers have to make sure that the cabinets are mounted on walls square, or doors will either hit the ceiling, or bang into each other when closing.

Even so, some home center operations such as Spenard's and Kirley's Lumber World, are reporting a measure of success with cabinets that possess the true European look. As a result, buyers from other chains are keeping an open mind and reviewed the offerings of European style cabinet vendors at the last kitchen and bath show (*NHCN*, April 9).

Many buyers feel the American consumer is becoming more attuned to the sleek European styling than ever before. At the same time, other home center operators feel that cabinets in the true European style will remain only a small part of their total sales figures.

Reporting on the positive side of the issue are home center operators, such as the Spenard's outlet on Fireweed Lane in Anchorage, Alaska, where DIYers now account for an estimated 15% to 20% of sales of European style cabinets, compared with only 5% last year. Of the store's $6 million in annual sales, about $300,000 to $500,000 represents cabinets in a true European style. The store does a total of $4 million annually in kitchen cabinet sales.

While the DIY share of European style cabinets has increased substantially, kitchen center manager Ken Gustin noted that many DIYers still shy away from the three styles his store offers because "the average DIYer doesn't have the expertise," in his words. "The cabinets have very close tolerances. For example, the space between the top of the door and the ceiling is only ⅛ of an inch."

An even greater success with European style cabinets was reported by Kirley's Lumber World, Boston, Mass., where the sleek cabinets account for an estimated 25% of total kitchen cabinet sales.

The store does not have an accurate assessment of what percentage of European style cabinets is purchased by DIYers. However, kitchen department manager Joan Gaffney noted that "we have had do-it-yourselfers take these cabinets and install them without problems."

Kitchen Cabinet Production

New Construction

	1979	1984
Wood, and wood veneer	57%	71%
Laminates	31%	26%
Metal, plastic, other	12%	3%

Repair, Remodeling

Wood, and wood veneer	80%	82%
Laminates	16%	12%
Metal, plastic, other	4%	6%

Source: National Kitchen Cabinet Association — NHCN chart

Production of laminated kitchen cabinets, usually associated with the "European style," has fallen in the past five years, possibly signaling a decline in demand for this particular style.

Kitchen cabinets in the European style do not cost significantly more than traditional designs at either Spenard's or Kirley's. At the former, a European style cabinet with 36-in. base sells for $349, while similar traditional cabinets sell from $285 to $345. And at Kirley's, the same size cabinet ranges from $160 to $200, with the European design coming in at the upper end.

Other home center chains are less sanguine about the potential of true European style cabinets. While Gee Lumber and Hardware, Chicago, has handled a line of European cabinets for a couple of years, the proportion of total kitchen sales it makes up is very small.

"The European look is usually installed in high rises, and in new construction," noted buyer Vern Johnson, who added that DIYers make up some 75% of sales in the department.

Birmingham Lumber, Birmingham, Mich., reported that cabinets with the true European look comprises a small percentage of sales in the kitchen department, and that installing such cabinets can pose problems for DIYers. And at Thurmon Industries, which operates 10 home centers in the state of Washington, only one European style kitchen has been displayed in the four-to-seven displays at each of the stores.

At the Mr. Goodbuys unit in the Baltimore suburb of Brooklyn Park, Md., the very fashion-oriented nature of the European style kitchen works against it.

"People are very conscious about what their neighbors think when it comes to kitchens," said kitchen sales manager Jeff Saul. "A lot of people are afraid the European look will go out of style, and that if they buy such a kitchen now they might get stuck with it." Of the 26 vignettes displayed at the store, only three are in a European style.

If home centers remain divided about the potential of the European cabinet, specialty kitchen stores have generally experienced an increase in the sales of these styles, primarily because the stores can provide installation of the product, relieving the consumer of the complications of doing it himself.

Kitchen Centers of America, Arlington, Tex., introduced European style kitchens in its 12 Chicago-area specialty stores late in 1982 and saw them take a 15% share of sales by the end of last year. By the end of this year, vp and general manager Richard Anish expects this style's share to increase to 25%.

However, Anish added that the percentage may not increase as rapidly next year as it has this year, since 80% of the European cabinets now moving through his chain's 14 stores are stock models rather than custom builds, and "stock lines are limited in their choices of styles." The dominance of stock varieties in his chain's sales mix indicates that there is some price resistance to the more expensive custom installations.

European designs account

(Continued on page 160)

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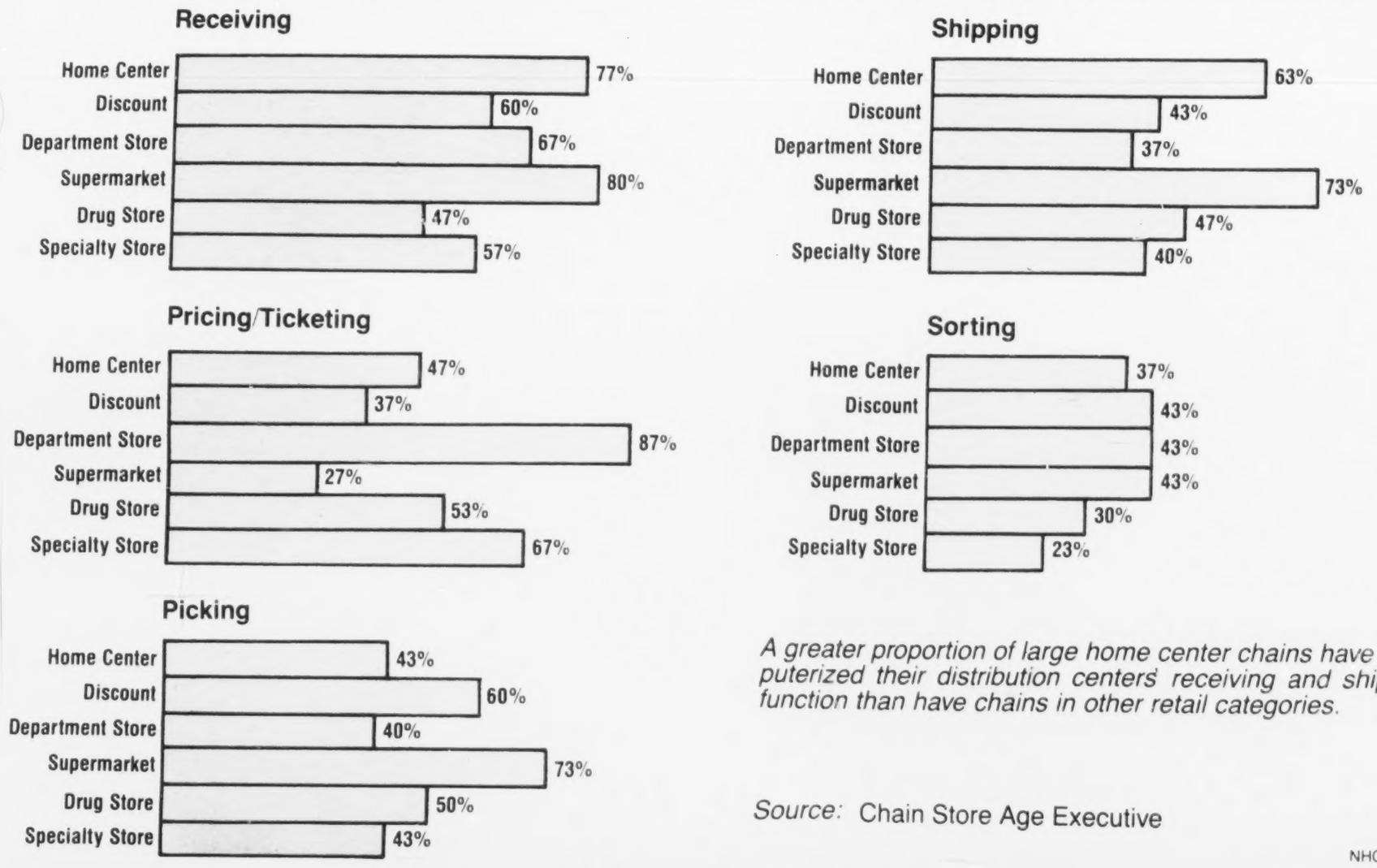
SYSTEMS & OPERATIONS

Proportion of Large Retail Chains That Have Computerized Their DC Activities



A greater proportion of large home center chains have computerized their distribution centers' receiving and shipping function than have chains in other retail categories.

Source: Chain Store Age Executive

NHCN chart

Home centers lead other types of chains in computerized receive-shipping

NATIONAL REPORT — Home center chains seem to have outdistanced most other categories of retail chains in terms of computerizing their receiving and shipping departments, according to a recent survey.

On the other hand, home centers seem to be lagging behind or holding even when it comes to computerizing their pricing-/ticketing, picking and sorting functions.

Responses from 30 of the top 100 chains in each of six retail categories were elicited by a survey conducted by Lebhar-Friedman Research for *Chain Store Age Executive*.

Some 77% of large home center chains have computerized their receiving activity, a figure that compares with only 64% of the retail industry as a whole. Further, 63% of the home center chains have computerized their shipping departments, compared with only 50% of the retail industry in its entirety.

In both departments, only supermarket chains—80% of which have computerized their receiving areas and 73% of which have computerized their shipping departments—have stepped ahead of home center chains.

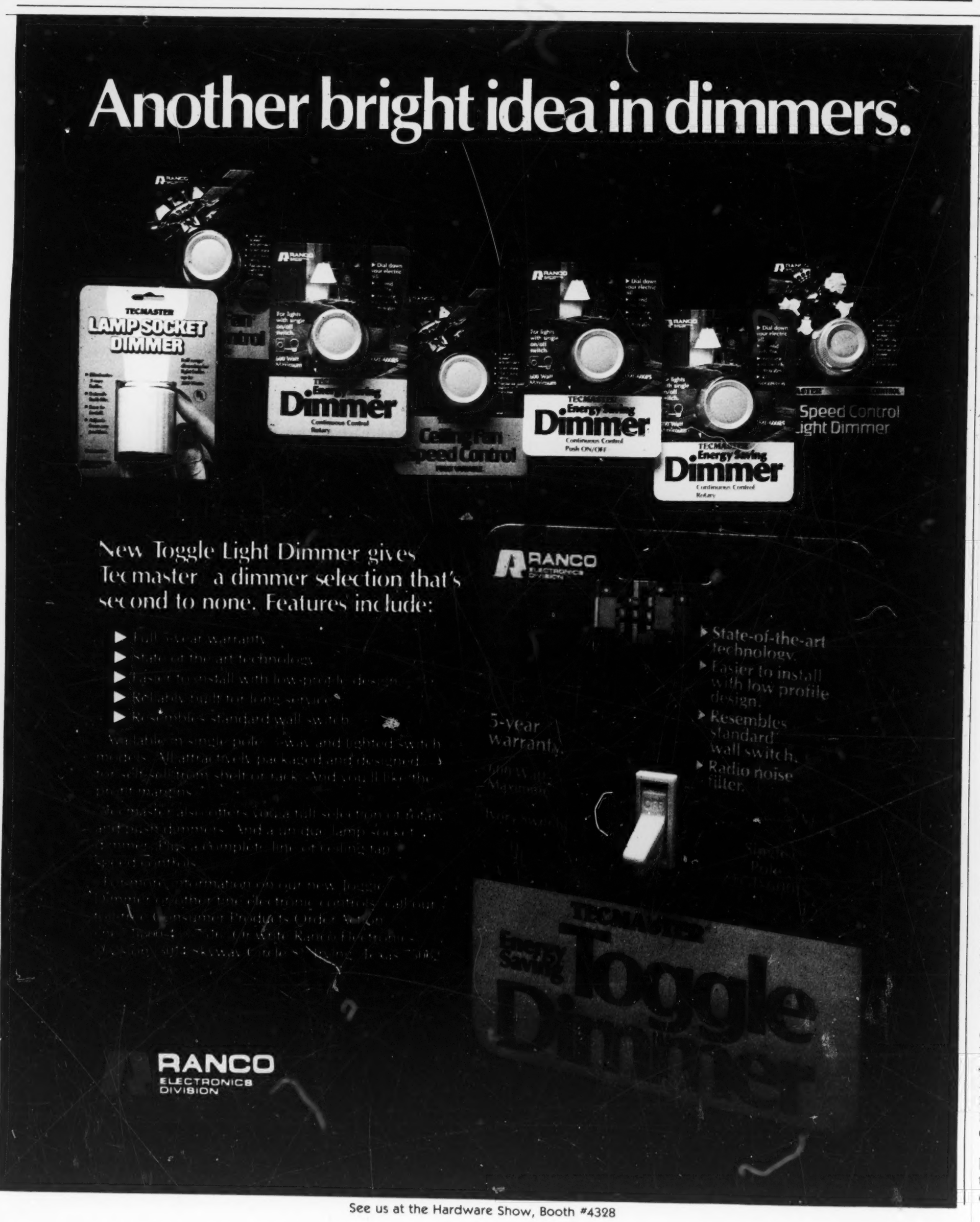
As for discount store chains, only 60% have computerized their receiving areas and 43% have computerized their shipping areas.

In terms of computerization of the pricing/ticketing function, only 47% of the major home center chains have done so, compared with 53% of retail chains as a whole. While 37% of discount stores have done so, fully 87% of department stores have reached this stage.

The process of picking has been computerized by 43% of large home center chains, a level slightly under retail chains as a whole.

Finally, the process of sorting has been computerized by 37% of home center chains, a figure not much different from that of other categories of retailers.

For most of the above activities, IBM has captured the market as vendor of choice for over half the retail chains as a whole. The only exception is the process of pricing and ticketing, where Monarch has taken some 10% away from IBM. For distribution center activities in general, NCR, Data General, Burroughs, Univac and Kimball were also mentioned.



Japan copiers rated as best

DELRAN, N.J. — Business firms participating in a recently completed survey rated Japanese copiers better than their American counterparts. Some 3,200 companies responded to a survey conducted by Datapro Research corporation, Delran, N.J.

Of the 16 low and midvolume copiers rated highest in the Datapro survey, all but one were Japanese. The exception was Xerox, classified as a "world" machine because its components are made in different countries.

Results of the survey have been complied in a report entitled, "User Ratings of Copiers."

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Dealers gear up for kitchen & bath week

national KITCHEN/BATH week

POTTSTOWN, Pa. — Organizers of National Kitchen/Bath Week, scheduled for Sept. 15-23, promised retailers would benefit more from the event this year than they did when it was first held two years ago.

By the middle of last month, some 1,200 retailers had signed up to participate in the week-long promotion. Of that number, 17% were building supply dealers and home centers, 70% were specialty kitchen and bath stores, 8% were remodelers and 5% were plumbing outlets.

Additionally, 44 manufacturers had signed up by mid-July.

Organizers said they were determined to avoid repeating a number of mistakes that caused the event to have a minimal impact on the industry in 1982, and resulted in its cancellation the following year.

Late last year, retailers were alerted by mailings to the membership of the National Kitchen and Bath Association (NKBA). These early mailings were meant to avoid the problem encountered in 1982, when many retailers found out about the event in August, too late to work it into their advertising budgets.

Mailings were also sent to the membership of the National Association of the Remodeling Industry, also sponsoring the event.

The promoters of the event, SK Advertising, Pottstown, Pa., pointed to the following additional steps taken to assure success:

* Advertisements placed in trade publications serving the industry, on a complimentary basis, began running earlier this year.

* "How-to books," describing how retailers could benefit from the event, were mailed to participants in June, serving as a reminder so they could schedule their September advertising to promote the event.

* Packets including ad slicks, window banners, counter cards, sales tags and a planning book were mailed to participants last month.

* Promotional material was placed with major consumer magazines serving the home market.

* Inserts were purchased to run in 4,200 newspapers around the nation during the event. Retailers can purchae ads in their local editions of the 12-page insert.

Behind the scenes, two major operational changes have been instituted.

"We restructured the way retailers could sign up for the event," said Linda Banis, public relations coordinator.

"The council of manufacturers decided that retailers signing up through their manufacturers was a bad idea, because information never filtered down to the retailers."

This year, retailers responded to the complimentary ads in the trade press, and to direct mailings, by signing up directly with the National Kitchen and Bath Assn.

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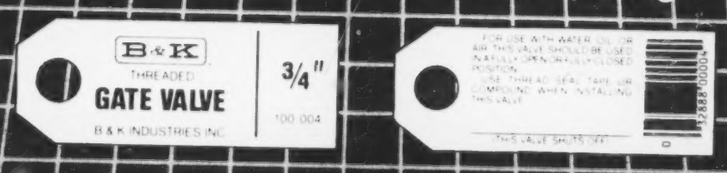

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Retailers opt for altered version of European look

(Continued from page 56)

for some 65% of sales at St. Charles of Atlanta, a specialty store in Atlanta, Ga. "Three years ago, traditional styles accounted for 65% of sales," said manager Timothy Reed.

"Finally, manufacturers have learned that the market wants a variety of colors and sleek design," added Reed.

Indeed, the NKCA reports that manufacturers have responded to a perceived need on the part of the buying public. "More companies are offering laminate lines than ever before," said an NKCA spokesman.

Figures from the NKCA indicate, however, that the market for European style kitchen cabinets may be broader than it is deep. In 1979, laminated kitchen cabinets, usually associated with the European look, accounted for 16% of the DIY market and 31% of the new construction market. By 1984, however, the figures had dropped to 12% and 26%, respectively.

While the NKCA does not venture an explanation for the decline in laminated cabinet production, the figures seem to indicate that interest in European style cabinets is actually declining, relative to the greater interest in traditional wood designs. The increase in unit sales for European design cabinets at some home centers may be due only to a general increase in kitchen cabinet sales in general.

Once the overall increase in kitchen sales begins to taper off—and for the time being no one is venturing a guess as to when that will occur—sales of European style cabinets may decline in favor of more traditional wooden varieties.

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National
Home Center News ®

Vol. 10, No. 18 The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. Aug. 27, 1984

Roger "Tiger" Holmes (left), chairman of Holmes Lumber, with Olympic swimmer Patrick Kennedy and his father, David, who works at the store. Holmes sponsors a powerful swimming club whose members, including Gold Medal winner Tracy Caulkins (right), competed at the Olympic Trials and Games and drew millions of dollars in free TV publicity for the Jacksonville, Fla., lumber company.

Photos courtesy of Florida *Times-Union* and Holmes Lumber

Fla. independent garners Gold Medal recognition

LOS ANGELES — Coca-Cola, Stanley Works, McDonald's and other "official" sponsors shelled out millions of dollars to link their brand names with Olympic competition.

But a small lumber company in Florida, whose president is a swimming enthusiast and booster of collegiate competition, may have gotten nearly as much exposure as these giants without even looking for it and at a fraction of the expense.

At the Olympic Trials held in Indianapolis a month before the Games' commencement, swimmers Mike Heath, Tracy Caulkins and other athletes who went on to win medals at the Olympics could be seen by millions of television viewers wearing T-shirts with the insignia "Holmes Lumber Gators."

Last April, $25 million Holmes Lumber Co., an independent based in Jacksonville, began sponsoring the Gators, a

(Continued on page 58)

Carter buys Z&L Lumber; bolsters Pittsburgh foothold

KENT, Ohio — Carter Lumber, a midwest chain with more than 130 stores, strengthened its position in the Pittsburgh market by purchasing Z&L Lumber on July 27.

Previous to acquiring Z&L's six stores, Carter operated only a single unit in the Pittsburgh Metropolitan Area, in a town called Meadow Lands, Pa.

Woodcraft Industries, a truss manufacturing plant in Atlasburg, Pa., was included in the purchase because it was a Z&L property.

Neither Carter Lumber nor Z&L, which sold some $30 million worth of merchandise last year, would disclose the purchase price or details of the agreement. Carter Lumber's volume is estimated at over $150 million annually.

Z&L headquarters will be shut down by the end of this month. Its 15 employees will not remain with the company.

The Z&L name is expected to be removed from the six stores by October. Banners with the Carter name were attached to Z&L store signs late last month, while the phrase "formerly Z&L Lumber" began appearing in newspaper ads promoting the newly acquired outlets.

"We saw this purchase as an opportunity to expand in the Pittsburgh area," said Van Carter, chairman of Carter Lumber, who founded the chain in 1936. He added that the chain had "no larger plan" to continue expanding into western Pennsylvania.

"Over the next six months we will study the stores to see if any merchandising changes will

(Continued on page 58)

West family strengthens its hold as company centralizes controls

By Phillip M. Perry
NHCN associate editor

ATLANTA — When Ed Plemons left the presidency of West Building Materials last month, his departure was seen by corporate observers as a far more serious matter than what might be viewed as a simple management shift.

It was clear to those knowledgeable about the $245 million chain, run by the legendary iron fisted Charles West, that the departure of Plemons was precipitated by internal disputes in the company's Atlanta headquarters that have arisen as new family members enter the management ranks and transform the company into a modern home center chain.

Both Vincent West, 31, and Mark West, 23, sons of company owner and chairman Charles West Sr., have begun making their own imprints on the company's operations and merchandising posture.

The company's new direction, propelled forward largely by Vincent, has veered away from the blustery entrepreneurial instincts of Charles West, now 63 years old, who fostered a similar spirit among his store managers. Today, the company has begun to move toward the more centralized control demanded by a more competitive marketplace.

Getting the chain of 67 stores onto its new course has brought difficulties. Since Vincent entered the business several years ago, and Mark came aboard a little over a year ago, many store managers have been distressed by a changing environment in which their autonomy has gradually eroded in favor of required procedures for advertising and merchandising.

Matters became especially difficult over the past year for the company's senior product line managers, who found themselves answering to a total of three Wests, each of whom had their own ideas concerning the selection and stock of products.

Additionally, the managers' decisions were subject to the ju-

(Continued on page 58)

Lawn & garden industry spurns consolidation attempts

By John Caulfield
NHCN senior editor

News Analysis

NATIONAL REPORT — In the lawn and garden business, the whole never seems to equal the sum of its parts.

The industry is a "phantom" in the words of one manufacturing source, that is, neither clearly defined nor easy to grasp. It is probably the most fragmented of any industry segment engaged in retailing, and this fragmentation not only prevents the dissemination of reliable market data, but also serves as an obstacle to any attempts at unification.

Trade associations, manufacturers, wholesalers and retailers all pay lip service to the concept of industry unity, and all claim everyone would be better off from the development of market studies and statistics

However, the only thing these groups seem to agree on is that the industry, because of its fragmented structure, will probably never be soldered together. Trade shows, like the Lawn, Garden and Outdoor Power Equipment Exposition held in Louisville last month, are seen as positive first steps toward that end, but are also viewed by some as placebos that tend to fragment the industry further into more specialized and noncommunicative groups.

Consequently, this situation leaves home center dealers—many of whom are selling lawn and garden products, particularly nursery goods, in a big way for the first time—with little upon which to base merchandising or marketing decisions. Their alternatives, both considered unsatisfactory, are to make buying choices "by the seats of our pants," said one dealer, or rely more heavily on suppliers' advice.

"I know my job would be made easier if there were some independent, reliable market data to base lawn and garden purchases on," said Neil McLean, a buyer for the 19-unit Home Depot based in Atlanta.

(Continued on page 58)

NEWSBREAKS

HINES TO RETROFIT. Edward Hines Lumber, Chicago, plans to remodel nearly 20 of its 25 stores, incorporating selective warehouse racking, a consumer-oriented store layout and new graphics, by the end of 1984.

HCA SETS SITES. Home Centers of America, now owned by K mart, will open Builders Square stores in Tulsa and Louisville, in addition to Chicago, by Nov. 1, according to exec vp Frank Powers.

INSIDE:

TRAFFIC AT THE National Hardware Show was brisk as dealers projected continued strong sales through year-end . . **Page 2**
BUILDERS EMPORIUM's failure to meet Wickes' profit goals leads to the ouster of two top execs 3
BEAVER LUMBER names a new president 1

Supply One opens; has 30,000 sku's in 30,000 sq. ft.

A new warehouse home center chain called Supply One was launched earlier this month in Reno, Nev., by industry veteran Jay Steiner and his family. The units pack 30,000 stock keeping units into 30,000 sq. ft. by using innovative approaches as shown above. The operation could eventually be expanded through franchising. See story, page 3.

NHCN photo